



County of Los Angeles Termination Pay Pick-Up Plan

Financial Statements and
Independent Auditor's Report
Years ended June 30, 2013 and 2012



County of Los Angeles Termination Pay Pick-Up Plan

Financial Statements and
Independent Auditor's Report
Years ended June 30, 2013 and 2012

**COUNTY OF LOS ANGELES
TERMINATION PAY PICK-UP PLAN
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
YEARS ENDED JUNE 30, 2013 AND 2012**

TABLE OF CONTENTS

Independent Auditor's Report.....	1
Management's Discussion and Analysis (Required Supplementary Information – Unaudited)	3
Basic Financial Statements:	
Statements of Fiduciary Net Position	5
Statements of Changes in Fiduciary Net Position	6
Notes to the Financial Statements	7
Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13



INDEPENDENT AUDITOR'S REPORT

To the Members of the Plan Administrative Committee of the
County of Los Angeles Termination Pay Pick-up Plan

Report on the Financial Statements

We have audited the accompanying statements of fiduciary net position of the County of Los Angeles Termination Pay Pick-Up Plan (the "Plan") as of June 30, 2013 and 2012, and the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Plan, as of June 30, 2013 and 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, effective July 1, 2012, the Plan adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2014 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Plan's internal control over financial reporting and compliance.

Los Angeles, CA
January 15, 2014

Bazilio Cobb Associates, P.C.

**COUNTY OF LOS ANGELES
TERMINATION PAY PICK-UP PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013 AND 2012**

This Management's Discussion and Analysis ("MD&A") of the financial activities of the County of Los Angeles Termination Pay Pick-up Plan (the "Plan") is an overview of its fiscal operations for the years ended June 30, 2013 and 2012. Readers are encouraged to consider the information presented in conjunction with the financial statements and the notes to the financial statements. Amounts contained in this discussion have been rounded to facilitate their readability.

Overview of Financial Statements

The Plan has two financial statements and the notes to the financial statements. The financial statements and the required disclosures are in compliance with the accounting standards and reporting guidelines as set forth by the Governmental Accounting Standards Board ("GASB"), utilizing the accrual basis of accounting.

The financial statements of the Plan are presented on a comparative basis with the previous fiscal year. The Statement of Fiduciary Net Position is a snapshot of account balances at fiscal year-end. This statement reflects assets available for future payments to participants and their beneficiaries and any current liabilities owed at fiscal year-end. The net position available for benefits, which are the assets and deferred outflow of resources, less the liabilities and deferred inflow of resources, reflect the funds available for future benefit payments.

The Statement of Changes in Fiduciary Net Position reflects all the activities that occurred during the fiscal year, and the impact of those addition or deduction activities on the Plan's net position. The trend of additions versus deductions to the Plan can be an indication of the Plan's financial condition over time.

The notes to the financial statements provide a detailed discussion of key policies and activities that occurred during the fiscal year. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Highlights

- For fiscal years 2013 and 2012, the Plan continued to cease acceptance of before-tax termination pay contributions because of notification from the Internal Revenue Service that before-tax termination pay contributions, as currently structured in the Plan, are impermissible under federal tax guidance. The Plan made benefit payments of \$583,734 and \$551,372 for the fiscal years 2013 and 2012, respectively.
- For 2013, net position available for benefits, as reported in the Statement of Fiduciary Net Position, total \$3.1 million, a decrease of \$0.6 million or 15.55% from the prior year.
- For 2012, net position available for benefits, as reported in the Statement of Fiduciary Net Position, total \$3.7 million, a decrease of \$0.5 million or 12.67% from the prior year.

**COUNTY OF LOS ANGELES
TERMINATION PAY PICK-UP PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013 AND 2012**

Table 1 – Condensed Statements of Fiduciary Net Position as of June 30, 2013, 2012 and 2011

				2013 - 2012		2012 - 2011	
	2013	2012	2011	Variance	%	Variance	%
ASSETS							
Investments	\$ 3,141,816	\$ 3,722,084	\$ 4,262,980	\$ (580,268)	(15.59)	\$ (540,896)	(12.69)
LIABILITIES	<u>1,050</u>	<u>2,955</u>	<u>4,183</u>	<u>(1,905)</u>	<u>(64.47)</u>	<u>(1,228)</u>	<u>(29.36)</u>
Net Position Available for Benefits	<u>\$ 3,140,766</u>	<u>\$ 3,719,129</u>	<u>\$ 4,258,797</u>	<u>\$ (578,363)</u>	<u>(15.55)</u>	<u>\$ (539,668)</u>	<u>(12.67)</u>

For fiscal years 2013 and 2012, the Plan's investment decreased by \$580,268 or 15.59% and \$540,896 or 12.69%, respectively, primarily because of benefits paid to participants.

Table 2 – Condensed Statements of Changes in Fiduciary Net Position for the Years Ended June 30, 2013, 2012 and 2011

				2013 - 2012		2012 - 2011	
	2013	2012	2011	Variance	%	Variance	%
ADDITIONS							
Interest and dividends	\$ 12,268	\$ 18,515	\$ 26,625	\$ (6,247)	(33.74)	\$ (8,110)	(30.46)
DEDUCTIONS							
Benefits paid to participants	583,734	551,372	593,367	32,362	5.87	(41,995)	(7.08)
Administrative fees	6,897	6,811	13,550	86	1.26	(6,739)	(49.73)
Total Deductions	<u>590,631</u>	<u>558,183</u>	<u>606,917</u>	<u>32,448</u>	<u>5.81</u>	<u>(41,995)</u>	<u>(6.92)</u>
Net Decrease	(578,363)	(539,668)	(580,292)	(38,695)	7.17	40,624	(7.00)
Net Position Available for Benefits, Beginning of Year	<u>3,719,129</u>	<u>4,258,797</u>	<u>4,839,089</u>	<u>(539,668)</u>	<u>(12.67)</u>	<u>(580,292)</u>	<u>(11.99)</u>
Net Position Available for Benefits, End of Year	<u>\$ 3,140,766</u>	<u>\$ 3,719,129</u>	<u>\$ 4,258,797</u>	<u>\$ (578,363)</u>	<u>(15.55)</u>	<u>\$ (539,668)</u>	<u>(12.67)</u>

For fiscal years 2013 and 2012, the net decrease was due primarily to benefit payments, which were \$583,734 and \$551,372, respectively.

Requests for Information

This financial report is designed to provide the Plan Administrative Committee, participants, and other third parties with a general overview of the Plan finances and to show accountability for the Plan's funds. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Los Angeles County Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012-2766.

**COUNTY OF LOS ANGELES
TERMINATION PAY PICK-UP PLAN
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
ASSETS		
Investment	\$ 3,141,816	\$ 3,722,084
LIABILITIES		
Administrative expenses payable	<u>1,050</u>	<u>2,955</u>
NET POSITION AVAILABLE FOR BENEFITS	<u>\$ 3,140,766</u>	<u>\$ 3,719,129</u>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF LOS ANGELES
TERMINATION PAY PICK-UP PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
ADDITIONS		
Interest and dividends	<u>\$ 12,268</u>	<u>\$ 18,515</u>
DEDUCTIONS		
Benefits paid to participants	583,734	551,372
Administrative expenses	<u>6,897</u>	<u>6,811</u>
TOTAL DEDUCTIONS	<u>590,631</u>	<u>558,183</u>
NET DECREASE	(578,363)	(539,668)
NET POSITION AVAILABLE FOR BENEFITS		
Beginning of year	<u>3,719,129</u>	<u>4,258,797</u>
End of year	<u><u>\$ 3,140,766</u></u>	<u><u>\$ 3,719,129</u></u>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF LOS ANGELES
TERMINATION PAY PICK-UP PLAN
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2013 AND 2012**

NOTE 1 DESCRIPTION OF PLAN

The following brief description of the County of Los Angeles Termination Pay Pick-Up Plan (the “Plan”) is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

General - The Plan, established on December 3, 2004, is designated a profit sharing plan. The Plan was designed to allow participants to contribute a portion of their termination pay and provide for retirement and death benefits. Prior to January 26, 2007, the Plan was available to Los Angeles County (the “County”) employees who were not eligible to participate in the County of Los Angeles Savings Plan.

The operations of the Plan are directed by the Plan Administrative Committee. The assets of the Plan are held in trust by Wells Fargo Bank, N. A., and are valued and administered by Great-West Life & Annuity Insurance Company.

The Plan had 97 and 113 participant accounts as of June 30, 2013 and 2012, respectively.

Contributions - Effective January 26, 2007, the Plan ceased acceptance of participant contributions for reasons described in Note 4. The County does not make matching contributions to this Plan.

Participant accounts - Each participant’s account is credited with the participant account’s pro rata share of investment income. The benefit to which a participant is entitled is the benefit that can be provided from the participant’s vested account.

Vesting - Participants are immediately vested in their account balances and earnings.

Payment of benefits - Upon leaving County employment, the participant can leave the balance in the account, take a lump sum distribution, or roll over the balance to any eligible retirement plan.

**COUNTY OF LOS ANGELES
TERMINATION PAY PICK-UP PLAN
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2013 AND 2012**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation - The accompanying statements of fiduciary net position and changes in fiduciary net position present only the Plan and are not intended to present the financial position, and changes in the financial position, of the County. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") Statement is the accepted standard setting body for establishing governmental and financial reporting standards.

Basis of accounting - The financial statements of the Plan are prepared under the accrual basis of accounting in accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Employee contributions are recognized by the Plan at the time compensation is earned by Plan members and the payments become due from the County government. Investment income is recognized when earned. Benefits are recognized when paid. Other deductions are recognized when due in accordance with the terms of the Plan.

Use of estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Plan Administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Accordingly, actual results may differ from those estimates.

Investments valuation and income recognition - The Plan's investments are in a bank depository account and are reported at cost, which approximates fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurements date. Quoted market prices, if available, are used to value investments. Purchases and sales of investments are recorded on a trade-date basis, and interest income is recorded on the accrual basis.

Payment of benefits - Benefits are recorded when paid.

Reclassifications - Certain prior year balances have been reclassified to conform with the current year presentation. These reclassifications have no effect upon reported net position available for benefits.

**COUNTY OF LOS ANGELES
TERMINATION PAY PICK-UP PLAN
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2013 AND 2012**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Pronouncements Adopted - In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions, and the Accounting Research Bulletins of the American Institute of Certified Public Accountant ("AICPA") Committee on Accounting Procedure, issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The adoption of the pronouncement did not have a material impact on the Plan's financial statements.

GASB has issued Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflow of Resources, and Net Position*. The requirement of this statement standardizes the presentation of deferred inflows and outflows of resources, and their effects on a government's net position. This statement became effective for periods beginning after December 15, 2011. The implementation of this statement to the Plan is limited to renaming of "Net Assets" to "Net Position".

Accounting Pronouncements to be Adopted - GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement is effective for periods beginning after December 15, 2012. The Plan is evaluating the impact of this standard on the financial statements.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. The Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. The adoption of the pronouncement is not expected to have a material impact on the Plan's financial statements.

**COUNTY OF LOS ANGELES
TERMINATION PAY PICK-UP PLAN
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2013 AND 2012**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. This Statement is effective for fiscal years beginning after June 15, 2014. The adoption of the pronouncement is not expected to have a material impact on the Plan's financial statements.

NOTE 3 INVESTMENTS

Cash and Investment Concentrations – Cash and investments of the Plan are invested in a bank depository interest bearing trust account and held by the Plan's trustee, Wells Fargo Bank, N.A. In accordance with GASB Statement No. 25, *Financial Reporting for Defined Benefit Disclosures for Defined Contributions Plans*, as amended by *Government Accounting Standards Board Statement No. 40 (GASB 40)*, *Deposit and Investment Risk Disclosures - An amendment of GASB Statement No. 3*, the Plan is required to disclose the identification, by amount and issuer, of investments in any one issuer that represent 5% or more of the Plan's net position. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

The following represent the Plan's investment in one organization, which constitutes 5% or more of net position as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Bank of the West	<u>\$ 3,141,816</u>	<u>\$ 3,772,084</u>

The Plan's investments are subject to the following risks common to investments:

- *Custodial Credit Risk* is the risk that the Plan will not be able to recover the value of its investments if the custodian fails. The Plan's investments for 2013 and 2012 were insured by the Federal Deposit Insurance Corporation ("FDIC"). The Plan assets are entitled to per-Participant FDIC insurance coverage, currently up to \$250,000. The bank maintains additional insurance protection or collateralization for any participant funds on deposit with the bank in excess of the FDIC coverage in accordance with the California Government Code Section 53651.

**COUNTY OF LOS ANGELES
TERMINATION PAY PICK-UP PLAN
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2013 AND 2012**

NOTE 3 INVESTMENTS (Continued)

- *Credit Risk* is the risk that an issuer to an investment will not fulfill its obligations. At June 30, 2013 and 2012, the Plan's investment was in a bank depository interest bearing trust account maintained with Bank of the West, which was insured up to \$250,000 by FDIC and collateralized by the bank.
- *Interest Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan manages its exposure to declines in fair values by not offering investments that have excessive average maturities.
- *Foreign Currency Risk* is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign financial institution. At June 30, 2013 and 2012, the Plan's investments were in the bank depository account maintained with Bank of the West.

NOTE 4 TAX STATUS

On January 26, 2007, the Plan Administrative Committee ceased acceptance of before-tax termination pay contributions to the Plan. This action was necessary as a result of notification from the Internal Revenue Service that before-tax termination pay contributions, as currently structured in the Plan, are impermissible under federal tax guidance. Depending on the status of the participant, there are various options for the liquidation of their respective accounts. The County is in the process of determining an appropriate corrective action for all current and former participants. Any resulting tax liability cannot be determined at this time.

NOTE 5 PLAN TERMINATION

The County reserves the right to terminate the Plan at any time, subject to negotiations with employee representatives. In the event of termination of the Plan, the County shall distribute to the participants, in a lump-sum payment, the balance in the participants' accounts.

NOTE 6 RISKS AND UNCERTAINTIES

The Plan invests in a bank depository interest bearing trust account that is exposed to various risks such as interest rate, market, and credit risk. Due to the risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' accounts balances and the amounts reported in the statements of fiduciary net position.

**COUNTY OF LOS ANGELES
TERMINATION PAY PICK-UP PLAN
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2013 AND 2012**

NOTE 7 SUBSEQUENT EVENTS

The Plan has evaluated events subsequent to June 30, 2013 and through January 15, 2014, the date the financial statements were available to be issued, and determined there have not been any events that have occurred that would require adjustments to the financial statements.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*.**

To the Members of the Plan Administrative Committee of the
County of Los Angeles Termination Pay Pick-up Plan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the County of Los Angeles Termination Pay Pick-Up Plan (the “Plan”), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Plan’s basic financial statements, and have issued our report thereon dated January 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Plan’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Plan Administrative Committee, management, and the County Board of Supervisors and is not intended to be and should not be used by anyone other than these specified parties.

Los Angeles, CA
January 15, 2014

Bazilio Cobb Associates, P.C.



County of Los Angeles Termination Pay Pick-Up Plan

Independent Accountant's Report on Applying Agreed-Upon Procedures

June 30, 2013



Bazilio Cobb
Associates

Certified Public Accountants and Consultants

21250 Hawthorne Blvd, Suite 150, Torrance, CA 90503

t: (310) 792-4640 f: (310) 792-4140



County of Los Angeles Termination Pay Pick-Up Plan

Independent Accountant's Report on Applying Agreed-Upon Procedures

June 30, 2013

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Members of the Plan Administrative Committee of the
County of Los Angeles Termination Pay Pick-up Plan

We have performed the agreed-upon procedures described in Work Order No. 7-92 by the County of Los Angeles (the "County"), which were agreed to by the Plan Administrative Committee and management of the County, solely to assist you in evaluating certain controls and compliance requirements of the County of Los Angeles Termination Pay Pick-up Plan (the "Plan") as of and for the year ended June 30, 2013. The County's management is responsible for complying with the requirements of the Plan Administrative Committee. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these agreed-upon procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The Plan has approximately 97 participants and \$3.1 million in net position at June 30, 2013. The County has contracted with Great-West Life & Annuity Insurance Company ("Great West") to administer the Plan. The Plan's assets are held by an independent trustee, Wells Fargo Bank, N.A. ("Wells Fargo").

The procedures we performed and the results are as follows:

1. Plan asset reconciliation

Total plan assets are comprised of the Plan's participant and forfeiture subaccount balances. We reconciled total plan assets of \$3,141,816, by agreeing the ending market value balance according to the June 30, 2013 quarterly statement provided by Wells Fargo to the total Plan assets balance according to the annual account summary provided by Great West.

Results

There was no difference arising from the reconciliation.

**COUNTY OF LOS ANGELES
TERMINATION PAY PICK-UP PLAN
AGREED-UPON PROCEDURES REPORT
JUNE 30, 2013**

2. Investment confirmations

We confirmed all cash accounts and investments with the financial institution that had custody of the funds and investments held under the supervision of Great West. We reconciled the amounts confirmed to the records of Great West.

Results

There was an insignificant reconciling difference between the records of Great West and Bank of the West. The reconciled investments and cash balances at June 30, 2013 for the Plan are as follows:

Termination Pay Pick-up Plan – Great West Account #98996-04

	Assets Per		
	Great West	Bank of the West	Difference
Bank Depository Fund	\$ 3,138,601		
Forfeiture Account	3,215		
Total Plan Assets	<u>\$ 3,141,816</u>	<u>\$ 3,141,814</u>	<u>\$ 2</u>

3. Investment income

The Plan's investments were maintained in a Bank Depository Fund at Bank of the West. The following procedures were performed on the investment income related to the investment managers:

- We reconciled total investment income for the year ended June 30, 2013 between Great West (record keeper) and Bank of the West (investment manager).
- We reconciled total investment income for the year ended June 30, 2013 between Wells Fargo (trustee) and Great West.
- We recomputed investment income for a sample of four (4) participants for the year ended June 30, 2013 to ensure that the income was properly allocated to the participant accounts.

**COUNTY OF LOS ANGELES
TERMINATION PAY PICK-UP PLAN
AGREED-UPON PROCEDURES REPORT
JUNE 30, 2013**

3. Investment income (continued)

Results

There was no difference identified in the reconciliation of income earned on the Bank Depository Fund.

	Investment Income		Difference
	Great West	Bank of the West	
Bank Depository Fund	\$ 12,268	\$ 12,268	\$ -

No exceptions were noted in the reconciliation between Wells Fargo and Great West, or in the recomputation of investment income for the sample selected.

4. Forfeiture sub-account withdrawals

A sample of five (5) withdrawals from the forfeiture sub-account during the year ended June 30, 2013 was selected from Great West's Annual Forfeiture Account Summary. For each of the withdrawals selected, we performed the following procedures:

- We agreed each withdrawal to actual payment documentation from Great West.
- We noted evidence of payment approval, including authorized invoices and approval letters from the County.
- We noted that each withdrawal was appropriately made from the related forfeiture sub-account, including float interest earnings and administrative fees sub-accounts.
- We noted that the forfeiture sub-account was fully reconciled.

Results

No exceptions were noted.

**COUNTY OF LOS ANGELES
TERMINATION PAY PICK-UP PLAN
AGREED-UPON PROCEDURES REPORT
JUNE 30, 2013**

5. Charges to participant accounts for deposit into forfeiture sub-accounts

A sample of twenty five (25) participants was selected from the participant summary report provided by Great West for the months of September 2012, December 2012 and May 2013. Procedures were performed to determine whether the total fees charged to participant accounts (the approved net monthly third-party administrator (TPA) and County administrative fees) of \$5.33 for the year ended June 30, 2013 was deducted from each participant's account for the months tested.

Also, the reasonableness of the total administrative fees deposited monthly to the forfeiture sub-accounts was verified. We recomputed the total monthly administrative fees using the approved TPA rate and the average monthly participants and compared the results to the actual amounts deposited to the forfeiture accounts.

Results

No exceptions were noted.

6. New loans

Not applicable to the Plan.

7. Late and defaulted loans

Not applicable to the Plan.

8. Loan changes

Not applicable to the Plan.

9. Outstanding loans of separated participants

Not applicable to the Plan.

10. Hardship withdrawals

Not applicable to the Plan.

11. Termination pay deferrals

Not applicable to the Plan.

**COUNTY OF LOS ANGELES
TERMINATION PAY PICK-UP PLAN
AGREED-UPON PROCEDURES REPORT
JUNE 30, 2013**

12. Participant withdrawals and distributions

A sample of five (5) participants receiving a distribution during the year ended June 30, 2013 was selected from Great West's Annual Distribution Report. Types of distributions in the population sampled included payments for separation of service withdrawals, and minimum required distributions. For each of the 5 participants selected, we performed the following:

- We agreed each participant distribution to supporting payment documents from Great West.
- For each distribution selected for testing, we vouched to evidence of the distribution approval, including benefit election forms, evidence of age and employment, and dates of service.
- We recomputed distribution amounts based on the participant's eligibility requirements and Plan provisions.
- We recalculated the federal and state tax withholding amounts, if applicable, to ensure compliance with the Plan document and applicable tax laws.

Results

No exceptions were noted.

13. Amounts held in suspense

The suspense activity records at the end of each month for the year ended June 30, 2013 were reviewed to determine whether amounts held in suspense and unapplied to participant accounts were resolved timely and cleared within a reasonable time period.

Results

No exceptions were noted.

14. Participant investment selections

Not applicable to the Plan.

**COUNTY OF LOS ANGELES
TERMINATION PAY PICK-UP PLAN
AGREED-UPON PROCEDURES REPORT
JUNE 30, 2013**

15. Controls over participants' eligibility

Not applicable to the Plan as new participants were not allowed to enter the Plan during the year ended June 30, 2013.

16. Compliance of County contributions

Not applicable to the Plan.

17. Employee vesting percentages

Not applicable to the Plan.

18. Employee forfeitures

Not applicable to the Plan.

19. Stale-dated checks and lost participants

Each quarter, Great West reviews the uncashed checks that have been outstanding for 180 days or more, and attempts to contact recipients to notify them of the option to reissue checks. On a quarterly basis, Great West also takes those checks that are still outstanding one year after the initial issue date and transfers the balance, less a \$15 fee, to a stale-dated check forfeiture sub-account.

There were no stale-dated checks during the year ended June 30, 2013.

20. Reconciliation procedures

We performed the following procedures to determine whether controls for the reconciliation of the Plan's bank accounts and participant ledgers were in place:

- Each month, earnings in some of the individual forfeiture accounts are swept to the Float Interest Earnings forfeiture account. These earnings are used to offset plan administrative charges. We obtained and inspected the sweep analysis and the reconciliations for the months of August 2012, December 2012, and June 2013 prepared by Great West and noted that the current month's float interest allocation to the Float Interest Earnings account was made based on the proportionate share of the Plan's prior month's earnings. We recalculated the float interest allocated based on this methodology and noted no exceptions. Where applicable, we reviewed the reconciling items and ensured that the balances at the end of each month were in agreement with the ledgers and bank statements.

**COUNTY OF LOS ANGELES
TERMINATION PAY PICK-UP PLAN
AGREED-UPON PROCEDURES REPORT
JUNE 30, 2013**

20. Reconciliation procedures (continued)

- We agreed the bank charges as reflected on Wells Fargo's August 2012, December 2012, and June 2013 Relationship Summary (bank statement), which displayed bank charges for the Plan, to the bank charges according to the Fee Schedule that Wells Fargo provided Great West for the months of July 2012, December 2012, and June 2013.

Results

No exceptions were noted.

21. Contribution limitations

Effective January 27, 2007, the Plan ceased acceptance of participant contributions. We noted that there were no participant contributions during the year ended June 30, 2013.

22. Excessive trading Plan provisions

Not applicable to the Plan.

23. Transfers into Bank Depository Fund

Not applicable to the Plan.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on certain controls and management's compliance with requirements of the County of Los Angeles Termination Pay Pick-up Plan. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users of the report as listed above and is not intended to be and should not be used by anyone other than these specified parties.

Los Angeles, CA
January 15, 2014

Bazilio Cobb Associates, P.C.